

Q2-2019: Dynacor Reports Its 33rd Consecutive Quarter of Profit With a Net Income of US\$ 0.8 M

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MONTREAL, Aug. 15, 2019 - [Dynacor Gold Mines Inc.](#) (TSX: DNG / OTC: DNGDF) (Dynacor or the Corporation), reports its financial results for its second quarter ended June 30, 2019.

The unaudited condensed consolidated financial statements and the management's discussion and analysis (MD&A) for the three-month and six-month periods ended June 30, 2019, have been filed electronically with SEDAR at www.sedar.com and will be available on the Corporation's website www.dynacor.com.

(All figures in this press release are in millions of US\$ unless stated otherwise. Earnings per share and cash flow per share are in US\$. All variance % are calculated from rounded figures).

For the three-month period ended June 30, 2019, Dynacor completed its thirty third (33rd) consecutive quarter of profits with a net income of \$0.8 M (\$0.02 per share), compared to \$1.3 M (\$0.03 per share) for the same period of 2018.

Q2-2019 OVERVIEW AND HIGHLIGHTS

With a similar volume processed (22,737 tonnes in Q2-2019 vs. 23,172 tonnes in Q2-2018), our production, however, decreased by 12.2% compared to Q2-2018 (18,095 ounces in Q2-2019 vs. 20,610 ounces in Q2-2018). This decline is mainly explained by a 9.4% decrease in the average grade of the available ore processed during the period. Volume of gold sold has decreased by 19.2% compared to 2018 due to the lower production combined with the variances of gold in process.

Those situations had a direct impact on our Q2-2019 financial results. Nevertheless, gold production increased by 13.1% compared to Q1-2019.

Operational and Strategic

- In Q2-2019, the Veta Dorada plant processed a total of 22,737 tonnes of ore compared to 23,172 tonnes in Q2-2018;
- Gold production of 18,095 ounces in Q2-2019 compared to 20,610 ounces in Q2-2018, a decrease of 12.2% due to the lower average grade of ore processed;
- Sales of 17,402 ounces of gold compared to 21,524 ounces in Q2-2018 a decrease of 19.2% due to the variation of gold in process inventories in Q2-2019 compared to Q2-2018;
- Tumipampa: Dynacor signed a mining and mineral purchase agreement with artisanal miners to begin extraction of materialized material from high-grade veins. The first deliveries occurred in June 2019;
- Dynacor signed a letter of intent to globally expand its ore-purchasing and processing business in Senegal (ref. Press release dated June 11, 2019).

Financial

- 33rd consecutive quarter of profits;
- Sales of \$22.7 M in Q2-2019, a decrease of 18.9% compared to Q2-2018;
- Gross operating margin of \$2.6 M (11.3%) in Q2-2019, a decrease of 25.7% compared to Q2-2018;
- Net income of \$0.8 M in Q2-2019 (\$0.02 per share), a decrease of 38.5% compared to Q2-2018;
- EBITDA ⁽¹⁾ of \$2.0 M in Q2-2019, a decrease of 25.9% compared to Q2-2018;
- Cash flow from operating activities before change in working capital items of \$1.6 M and \$0.04 per share ⁽²⁾ in Q2-2019, a decrease of 27.3% compared to Q2-2018;

- Cash on hand of \$13.2 M in Q2-2019 compared with \$13.9 M at year-end 2018 mainly due to the increase in other working capital items.

Cash Return to Shareholders

- Quarterly dividend of CA\$0.01 per share and totaling \$0.3 M (CA\$0.4 M) paid in April 2019;
- 247,224 shares repurchased during the quarter for \$0.3 M (CA\$0.4 M CAD).

(1) EBITDA: "Earnings before interest, taxes and depreciation" is a non-IFRS financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another corporation. The Corporation uses this non-IFRS measure as an indicator of the cash generated by the operations and allows investor to compare the profitability of the Corporation with others by canceling effects of different assets bases, effects due to different tax structures as well as the effects of different capital structures.

(2) Cash-flow per share is a non-IFRS financial performance measure with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another corporation. The Corporation uses this non-IFRS measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

RESULTS FROM OPERATIONS

Extract from Statement of net income and comprehensive income

| (in \$'000) | Three-month periods ended June 30, | | Six-month periods ended June 30, | |
|-------------------------------------|------------------------------------|----------|----------------------------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Sales | 22,697 | 27,955 | 45,616 | 54,545 |
| Cost of sales | (20,139) | (24,440) | (40,268) | (47,406) |
| Gross operating margin | 2,558 | 3,515 | 5,348 | 7,139 |
| General and administrative expenses | (1,150) | (1,333) | (2,107) | (2,456) |
| Operating income | 1,408 | 2,182 | 3,241 | 4,683 |
| Income before income taxes | 1,325 | 2,053 | 3,106 | 4,396 |
| Net income and comprehensive income | 757 | 1,251 | 1,937 | 2,852 |
| Earnings per share | | | | |
| Basic | \$0.02 | \$0.03 | \$0.05 | \$0.07 |
| Diluted | \$0.02 | \$0.03 | \$0.05 | \$0.07 |

Total sales amounted to \$22.7 M compared to \$28.0 M in Q2-2018. The \$5.3 M decrease is mainly explained by the decreases in gold production and the number of ounces sold (-\$5.4 M).

The gross operating margin amounted to \$2.6 M in Q2-2019 compared to \$3.5 M in Q2-2018. The variance compared with 2018 is attributable to lower gold production and sales combined with consistent fixed costs.

General and administrative expenses amounted to \$1.2 M and were similar to 2018.

Reconciliation of non-IFRS measures

| (in \$'000) | Three-month periods ended June 30, | | Six-mon |
|--|------------------------------------|-------|---------|
| | 2019 | 2018 | 2019 |
| Reconciliation of net income and comprehensive income to EBITDA ⁽¹⁾ | | | |
| Net income and comprehensive income | 757 | 1,251 | 1,937 |
| Income taxes | 568 | 802 | 1,169 |
| Financial expenses | 25 | 63 | 65 |

| | | | |
|---------------------------------|-------|-------|-------|
| Depreciation | 616 | 583 | 1,261 |
| Write-off of exploration assets | 39 | 7 | 39 |
| EBITDA ⁽¹⁾ | 2,005 | 2,706 | 4,471 |

CASH FLOW FROM OPERATING, INVESTING AND FINANCING ACTIVITIES AND LIQUIDITY

Operating activities

During Q2-2019, the cash flow from operations, before changes in working capital items, amounted to \$1.6 M (\$3.5 M for the six-month period ending June 30, 2019), compared to \$2.2 M in Q2-2018 (\$4.7 M for the six-month period ending June 30, 2018). This decrease between quarters is primarily explained by the decrease in gross operating margin.

Investing activities

During Q2-2019, net investments amounted to \$0.8 M (\$0.9 M for the six-month period ending June 30, 2019) and related principally to the acquisition of land, rolling stocks and additions to the tailing pond (\$0.6 and \$1.0 M respectively for the same periods in 2018).

Net additions to exploration and evaluation assets during Q2-2019 amounted to \$0.1 M (\$0.2 M for the six-month period ending June 30, 2019) (similar amounts for the same period in 2018).

Financing activities

A total of 247,224 shares were repurchased in Q2-2019 (561,124 for the six-month period ending June 30, 2019) for a total cash consideration of \$0.3 M (\$0.7M for the six-month period ending June 30, 2019). For the three and six-month periods ending June 30, 2018, 75,275 shares were repurchased for a total consideration of \$0.1 M.

In April 2019, the third quarterly dividend payment of CA\$0,01 per share was disbursed for a total consideration of \$0.3 M (\$0.6 M for the six-month period ending June 30, 2019).

Other financing activities consisted in the repayment of lease liabilities for \$0.2 M (\$0.3 M for the six-month period ending June 30, 2019) (\$0.1 M for the same reporting periods in 2018).

Liquidity

As at June 30, 2019, the Corporation's working capital amounted to \$20.4 M, including \$13.2 M in cash (\$19.7 M, including \$13.9 M in cash at December 31, 2018).

2019 OUTLOOK

Ore processing

After six months of operations, our gold production is lower than in 2018, mainly due to the lower average grades of ore supplied to the plant. Subsequent to quarter-end, we registered in July, our highest month ever in terms of volume of ore purchased with over 10,000 tonnes. We continue working to improve on our 2019 production, which we believe should be in line with the 2018 production.

A production update will be released shortly.

Exploration

The Corporation is waiting for its new permit from the Peruvian Ministry of Energy and Mines (MEM). Upon receipt of the permit, Dynacor will immediately start drilling the first phase of twelve (12) holes totaling 4,200 meters. The two priority targets consist of:

- o Priority 1 targets to be 2,700 m (8 holes)
- o Priority 2 targets to be 1,500 m (4 holes)

The MEM has sent a representative to assess if native communities live in the propose exploration area and if the work would affect their living. We are awaiting their report on that matter. If conclusive, they could ask for community consultation on that matter which process could delay the start of the drilling campaign until 2020.

ABOUT DYNACOR

Dynacor is a dividend paying gold production corporation headquartered in Montreal, Canada. The corporation is engaged in production through the processing of ore purchased from small scale artisanal miners. At present, Dynacor produces and explores in Peru where its management team has decades of experience and expertise. In 2018, Dynacor produced 81,314 ounces of gold, a yearly best and 1.8% increase as compared with 2017 (79,897 ounces).

Dynacor produces environmental and socially responsible gold through its 'PX Impact' gold program. A growing number of supportive firms from the fine luxury jewelry, watchmakers and investment sectors are paying a small premium to our customer and strategic partner for this PX Impact gold. The premium provides direct investment to develop health and education projects to our small-scale artisanal miner's communities.

Dynacor trades on the Toronto Stock Exchange (DNG) and the OTC in the United States under the symbol (DNGDF).

FORWARD-LOOKING INFORMATION

Certain statements in the preceding may constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Dynacor, or industry results, to be materially different from any future result, performance or achievement expressed or implied by such forward-looking statements. These statements reflect management's current expectations regarding future events and operating performance as of the date of this news release.

Dynacor (TSX: DNG / OTC: DNGDF)

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Twitter: <http://twitter.com/DynacorGold>

Shares outstanding: 39,060,705

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